

Cassopolis Public Schools

**Annual Financial Statements
and
Auditors' Report**

June 30, 2006

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Cassopolis Public Schools
Members of the School Board of Education and Administration
June 30, 2006

Members of the School Board of Education

Ms. Christine Locke	President
Mr. Gary Solloway	Vice President
Mr. William Loux	Secretary
Ms. Charlene Lee	Treasurer
Ms. Susan Horestmann	Trustee
Ms. Janet Hall	Trustee
Mr. David Weiss	Trustee

Administration

Mr. Gregory Weatherspoon	Superintendent
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Independent Auditors' Report

Board of Education
Cassopolis Public Schools
Cassopolis, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Cassopolis Public Schools as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cassopolis Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cassopolis Public Schools as of June 30, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 21, 2006, on our consideration of the Cassopolis Public Schools' internal control over financial reporting and on our tests of its provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cassopolis Public Schools' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
September 21, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cassopolis Public Schools
Cass County District No. 30
Management's Discussion and Analysis
For The Year Ended June 30, 2006

Cassopolis Pubic Schools is a K-12 School District located in Cass County, Michigan. Cassopolis Public School District's (the District) management discussion and analysis (MD&A) is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position and its ability to address subsequent year challenges. The MD&A identifies any material deviations from the financial plan and identifies individual fund issues or concerns. The MD&A is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. The provisions and requirements under GASB 34 are intended to provide financial information for the fiscal year ending June 30, 2006.

Fund Financial Statements:

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Funds, Capital Project Funds, and the School Service Funds which are comprised of: Food Service, Athletics, and Bookstore accounts.

In the fund financial statements purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of long-term debt is recorded as a financial resource. The current year's payments of principal and interest on debt are recorded as expenditures. Future debt obligations are not recorded.

Cassopolis Public Schools
Cass County District No. 30
Management's Discussion and Analysis
For The Year Ended June 30, 2006

District Wide Financial Statements:

Statement of Net Assets

The District wide financial statements are full accrual statements. They report all of the District's assets and liabilities, both short term and long term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the District are reported in the **Statement of Net Assets** of the District wide financial statements (see Table 1).

Table 1
Statement of Net Assets

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Assets		
Current assets	\$ 5,429,392	\$ 5,733,902
Capital assets	16,986,589	16,877,171
Less accumulated depreciation	<u>(7,349,639)</u>	<u>(6,997,531)</u>
Capital assets, net book value	<u>9,636,950</u>	<u>9,879,640</u>
Total Assets	<u><u>15,066,342</u></u>	<u><u>15,613,542</u></u>
Liabilities		
Current liabilities	3,521,745	4,676,758
Long-term liabilities	<u>7,338,974</u>	<u>7,060,447</u>
Total Liabilities	10,860,719	11,737,205
Net Assets		
Total capital assets, net of related debt	2,297,976	3,051,091
Restricted and reserves	875,406	676,321
Unrestricted	<u>1,032,241</u>	<u>148,925</u>
Total Net Assets	<u><u>\$ 4,205,623</u></u>	<u><u>\$ 3,506,778</u></u>

Cassopolis Public Schools
Cass County District No. 30
Management's Discussion and Analysis
For The Year Ended June 30, 2006

Statement of Change in Net Assets (Statement of Activities)

District wide results of operations are reported in the **Statement of Change in Net Assets** (also referred to as the Statement of Activities). Table 2 reports the operational results for the fiscal years ended June 30, 2006 and June 30, 2005.

Table 2
Statement of Change in Net Assets
(Statement of Activities)

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Revenues		
Program Revenues		
Charges for Services	\$ 191,830	\$ 144,819
Federal and State Categorical Grants	1,697,043	2,019,994
General Revenues		
Property Taxes	3,405,209	3,208,471
State Aid-Unrestricted	6,717,812	6,552,836
Other	<u>249,109</u>	<u>93,392</u>
Total Revenues	12,261,003	12,019,512
Expenses		
Instruction	5,859,789	5,729,602
Support Services	4,657,653	4,542,465
Food Service	381,135	391,196
Athletics	290,425	271,901
Interest on Long-Term Debt	197,630	196,610
Unallocated Depreciation	540,207	472,660
Other Transactions	<u>-</u>	<u>45,519</u>
Total Expenses	<u>11,931,717</u>	<u>11,649,953</u>
Increase in Net Assets	329,286	369,559
Beginning Net Assets	<u>3,876,337</u>	<u>3,506,778</u>
Ending Net Assets	<u><u>\$ 4,205,623</u></u>	<u><u>\$ 3,876,337</u></u>

Cassopolis Public Schools
Cass County District No. 30
Management's Discussion and Analysis
For The Year Ended June 30, 2006

Analysis of Financial Position:

During the fiscal year ended June 30, 2006, the District's net assets increased by \$329,286. Significant factors affecting the net assets during the year are discussed below:

General Fund Operations

The District's expenses in the General Fund exceeded revenues by \$75,748. The resulting decrease in fund equity is less than the \$146,518 loss projected in the final revised budget approved in June 2006. The original 2005-2006 budget as adopted in June 2005 projected a decrease in fund equity of \$150,100. A comparison of budgeted and actual expenditures and revenues is detailed in Table 3.

Table 3
General Fund Budget &
Actual Revenues and Expenditures

	Original Budget	Final Budget	Final Actual	Actual & Original Budget	Actual & Final Budget
Revenues	\$ 10,408,655	\$ 10,603,257	\$ 10,650,262	2.32%	0.44%
Expenditures	10,558,765	10,749,775	10,726,010	1.58%	-0.22%
Deficit	<u>\$ (150,100)</u>	<u>\$ (146,518)</u>	<u>\$ (75,748)</u>	<u>-49.53%</u>	<u>-48.30%</u>

Cassopolis Public Schools
Cass County District No. 30
Management's Discussion and Analysis
For The Year Ended June 30, 2006

Capital Projects

There were no major capital expenditures during the 2005-2006 fiscal year.

Debt, Principal Payments

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District's long-term liabilities as shown in Table 4. Other forms of long-term debt include school bus installment purchase agreements, early retirement incentives, and an allowance for compensated absences.

Table 4
Long Term Debt

	Principal Balance <u>June 30, 2005</u>	Principal Additions (Payments) 2005-2006 <u>and Net Changes</u>	Principal Balance <u>June 30, 2006</u>	
2001 Building and Site Refunding Bonds	\$ 4,370,000	\$ (655,000)	\$ 3,715,000	Note 1
2003 QZAB Bonds (See Note below)	<u>2,230,000</u>	<u>-</u>	<u>2,230,000</u>	Note 2
Total Serial Bonds	6,600,000	(655,000)	5,945,000	
Durant Resolution Package Bonds	114,729	(41,126)	73,603	Note 3
Bus Installment Purchase Agreements	113,820	120,760	57,880	Note 4
Retirement Incentives	-	227,264	227,264	Note 5
Compensated Absences	<u>983,964</u>	<u>(125,437)</u>	<u>858,527</u>	
Total Long-Term Debt	<u>\$ 7,812,513</u>	<u>\$ (473,539)</u>	<u>\$ 7,338,974</u>	

Note 1: Includes \$685,000 due within one year.

Note 2: Annual \$119,900 payments are escrowed until bond maturity on May 22, 2018.

Note 3: Includes \$9,104 due within one year.

Note 4: Includes \$64,280 due within one year.

Note 5: Includes \$78,480 due within one year.

**Cassopolis Public Schools
Cass County District No. 30
Management's Discussion and Analysis
For The Year Ended June 30, 2006**

The 2001 Refunding Bonds represent a portion of the original voter approved bond issue of 1994. The 1994 bond issue was utilized for major renovations and improvements of District facilities. The 2001 refunding of the bonds was undertaken to realize a substantial savings in interest expenses due to favorable money market conditions.

Net Investment in Capital Assets

The District's net investment in capital assets decreased by \$242,690 during the 2005-2006 fiscal year. A summary of this activity and a schedule of capital assets by category are shown in Table 5.

**Table 5
Net Investment in Capital Assets**

Beginning investment in capital assets, net at July 1, 2005	\$ 9,879,640
Acquisition of capital assets at cost, fiscal year ended June 30, 2006	297,517
Disposal of capital assets, fiscal year ended June 30, 2006	(188,099)
Subtraction of accumulated depreciation on disposed capital assets	188,099
Net depreciation expense for fiscal year ended June 30, 2006	<u>(540,207)</u>
Ending investment in capital assets, net at June 30, 2006	<u>9,636,950</u>
Change in net investment in capital assets	<u>\$ (242,690)</u>

Capital Assets at Cost Less Accumulated Depreciation:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 141,420	\$ -	\$ 141,420
Buildings	13,251,697	5,441,868	7,809,829
Site Improvements	1,631,779	439,309	1,192,470
Equipment and Furniture	738,091	587,564	150,527
School Buses and Other Vehicles	<u>1,223,602</u>	<u>880,898</u>	<u>342,704</u>
Total Net Capital Assets	<u>\$ 16,986,589</u>	<u>\$ 7,349,639</u>	<u>\$ 9,636,950</u>

Cassopolis Public Schools
Cass County District No. 30
Management's Discussion and Analysis
For The Year Ended June 30, 2006

State of Michigan Unrestricted Aid (The Foundation Grant):

Nearly 85% of the 2005-2006 general fund revenues (approximately \$9.0 million) were generated through the Foundation Grant (or Allowance). Annually, the State of Michigan establishes a per student foundation allowance. The Cassopolis Public Schools foundation allowance for the 2005-2006 school year was \$6,875. The foundation allowance is funded through two revenue sources. Local property taxes, at the rate of 18.0 mills on all non-homestead property, are collected from the nine townships that constitute the school District's boundaries. The state then funds the additional funds necessary to make the combined total of local taxes and state foundation aid equal \$6,875 per student (before reductions). Thus the amount of local tax collections does not impact the total foundation revenue. If local taxes go up then state funding declines and vice versa.

Student Enrollment:

The official enrollment for September 2005 was 1,304 students. This included 130 alternative education students. The total enrollment represents a 16 student decrease compared with September 2004. An analysis of each lost student indicated that the majority of the loss was the result of families moving out of Cass County, presumably due to a continuing deterioration of local employment opportunities.

Table 6 details the five-year enrollment history. The term FTE relates to Full Time Equated Student

Table 6
Student Enrollment History

	<u>K-12</u>	<u>Alternative Education</u>	<u>Total FTE</u>	<u>Change from Prior Year</u>
2005-2006	1,174	130	1,304	(16)
2004-2005	1,190	130	1,320	(3)
2003-2004	1,230	93	1,323	(44)
2002-2003	1,285	82	1,367	(67)
2001-2002	<u>1,373</u>	<u>61</u>	<u>1,434</u>	30
Total 5-Year Change	<u>(199)</u>	<u>69</u>	<u>(130)</u>	

**Cassopolis Public Schools
Cass County District No. 30
Management's Discussion and Analysis
For The Year Ended June 30, 2006**

Sinking Fund:

In June 2003 District voters approved a ten-year 0.90 sinking fund millage issue. In Michigan, sinking funds may be used for major building repairs, construction of school buildings, and land acquisition. The 2003 Sinking Fund tax levy provided \$274,285 in revenue during the 2005-2006 fiscal year. Of this amount, \$119,900 was used to make the third annual installment for the 15-year Qualified Zone Academy Bond Issue (QZAB) of 2003. All the capital projects conducted utilizing QZAB funds were pre-approved by the Michigan Department of Treasury as being sinking fund approved, thus allowing the use of the sinking fund revenues for QZAB debt retirement.

Qualified Zone Academy Bonds (QZAB):

In May 2003 the District received notification of being awarded a \$2,230,000 QZAB federal bond issue. The District received approximately 20% of the entire State of Michigan QZAB allocation for 2003. The QZAB bonds are tax-free and are repaid in fifteen annual installments of \$119,900. The annual payments are deposited into an interest bearing account in the District's name, which results in the District eventually paying back only approximately 79% of the original amount of the bonds. The annual payments are pre-approved by the Michigan Department of Treasury to be paid out of sinking fund proceeds, thus taking the full debt burden off of the General Fund.

Property Taxes:

The District levies 18 mills of property taxes for General Fund operations on all non-homestead properties. Under Michigan law, the tax levy is based on the "taxable value" of property. Annually, the taxable valuation increase is capped at the rate of the prior year's Consumer Price Index increase, or 5%, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the state "equalized value", which is, theoretically, 50% of true market value. Local tax collections represent a portion of the \$6,875 per pupil (before executive order reductions) Foundation Allowance. Basic state aid is calculated at \$6,875 per FTE so that the combination of local taxes and state aid equals the Foundation Allowance. As a result general fund local property taxes provide no additional District revenue.

In addition to the non-homestead property tax for General Fund operations, the District levies a millage for the retirement of school building bonds, and for a sinking fund for major capital repairs.

**Cassopolis Public Schools
Cass County District No. 30
Management's Discussion and Analysis
For The Year Ended June 30, 2006**

A five-year history of District tax levies is shown in Table 7:

**Table 7
Property Tax Collections
And Millage Rates**

Revenues

	<u>Non-Homestead General Fund</u>	<u>Debt Retirement</u>	<u>Sinking Fund</u>	<u>Total</u>
Fiscal Year				
2005-2006	2,285,012	797,806	265,935	3,348,753
2004-2005	2,183,906	768,302	251,766	3,203,974
2003-2004	2,045,394	752,515	236,039	3,033,948
2002-2003	1,912,681	726,407	0	2,639,088
2001-2002	1,838,145	743,038	0	2,581,183

Millage Rate

Fiscal Year				
2005-2006	18.0000	2.7000	0.9000	21.6000
2004-2005	18.0000	2.8000	0.9000	21.7000
2003-2004	18.0000	2.8000	0.9000	21.7000
2002-2003	17.6758	2.9000	0.0000	20.5758
2001-2002	18.0000	3.1000	0.0000	21.1000

Fund Equity:

In the public school sector Fund Equity refers to the net amount of total assets less total liabilities. In the private sector this is the similar to the Net Worth of a corporation. Fund Equity has historically been measured without the recognition of fixed assets or long-term debt. Most attention is given to the District's General Fund Equity due to the fact that it represents the overall operations of the District. There is no educational industry standard that defines how much Fund Equity is necessary for the long-term financial health of a school district. It is generally agreed, however, that a Fund equity equivalent to 15% of the current year's operating expenses is a reasonable benchmark. Due to severe budgetary shortfalls in the State of Michigan's budget, the majority of K-12 districts have been forced to deplete a significant amount of their fund equities to continue their educational programs.

Cassopolis Public Schools
Cass County District No. 30
Management's Discussion and Analysis
For The Year Ended June 30, 2006

Table 8 describes the annual changes and ending General Fund Equity balances from 2000 to 2006:

Table 8
Fund Equity History

<u>Year Ending</u>	<u>Fund Equity</u>	<u>Change</u>	<u>Total Expenditures</u>	<u>Equity as Percent of Expenditures</u>
June 30, 2006	1,030,614	(75,748)	10,949,000	9.4%
June 30, 2005	1,106,362	(44,544)	10,617,000	10.4%
June 30, 2004	1,150,905	(170,391)	11,222,000	10.3%
June 30, 2003	1,321,296	(104,464)	11,458,000	11.5%
June 30, 2002	1,425,760	172,076	10,798,000	13.2%
June 30, 2001	1,253,684	(53,923)	10,425,000	12.0%

Economic Factors and Next Year's Budgets:

The economy in the State of Michigan continues to lag behind the national economic recovery. Forecasts project that basic foundation revenues will, at best, be \$7,085 per pupil. The combination of flat revenues, decreasing K-12 enrollments, and rapidly increasing costs for state retirement and health insurance will continue to challenge the District's utilization of financial resources. With virtually no incoming cash during the August 20 through October 20 period, borrowing against state aid is \$2,500,000 for the 2005-2006 fiscal year. This compares with \$2,800,000 in 2004-2005 and \$2,400,000 in 2003-2004. The maintenance of an acceptable level of Fund Equity will continue to be the District's highest business priority.

Requests for Information:

This financial report is intended to provide a general overview of the Cassopolis Public Schools district finances for all of those with an interest in government finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Scott W. Thomas, CPA, Business Manager
Cassopolis Public Schools
63700 Brick Church Road
Cassopolis, MI 49031
Office Telephone (269) 445-0500
Office Fax (269) 445-0505

BASIC FINANCIAL STATEMENTS

Cassopolis Public Schools
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash	\$ 3,923,799
Taxes receivable	1,345
Accounts receivable	70,703
Due from other governmental units	1,358,599
Inventory	22,043
Investments	42,294
Prepaid items	10,609
Capital assets not being depreciated	141,420
Capital assets - net of accumulated depreciation	<u>9,495,530</u>
 Total assets	 <u>15,066,342</u>

See Accompanying Notes to Financial Statements

Cassopolis Public Schools
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	155,406
State aid anticipation note payable	2,500,000
Payroll deductions and withholdings	231,331
Accrued expenditures	25,785
Accrued salaries payable	608,194
Deferred revenue	1,029
Noncurrent liabilities	
Due within one year	836,864
Due in more than one year	<u>6,502,110</u>
Total liabilities	<u>10,860,719</u>
Net Assets	
Invested in capital assets, net of related debt	2,297,976
Restricted for:	
Debt service	583,890
Capital projects	291,516
Unrestricted	<u>1,032,241</u>
Total net assets	<u>\$ 4,205,623</u>

See Accompanying Notes to Financial Statements

Cassopolis Public Schools
Statement of Activities
For the Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Governmental activities				
Instruction	\$ 5,858,787	\$ 32,688	\$ 1,453,139	\$ (4,372,960)
Supporting services	4,658,655	-	-	(4,658,655)
Food services	381,135	116,849	243,904	(20,382)
Athletic activities	290,425	37,898	-	(252,527)
Bookstore activities	4,878	4,395	-	(483)
Interest on long-term debt	197,630	-	-	(197,630)
Depreciation - unallocated	540,207	-	-	(540,207)
Total governmental activities	<u>\$ 11,931,717</u>	<u>\$ 191,830</u>	<u>\$ 1,697,043</u>	<u>(10,042,844)</u>
General revenues				
Property taxes, levied for general purposes				2,326,203
Property taxes, levied for debt service				809,256
Property taxes, levied for sinking fund				269,750
State aid - unrestricted				6,717,812
Interest and investment earnings				108,801
Gain on sale of capital assets				17,291
Other				123,017
Total general revenues				<u>10,372,130</u>
Change in net assets				329,286
Net assets - beginning				<u>3,876,337</u>
Net assets - ending				<u>\$ 4,205,623</u>

See Accompanying Notes to Financial Statements

Cassopolis Public Schools
Governmental Funds
Balance Sheet
June 30, 2006

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 3,038,841	\$ 884,958	\$ 3,923,799
Taxes receivable	1,029	316	1,345
Accounts receivable	67,705	2,998	70,703
Due from other funds	-	52,084	52,084
Due from other governmental units	1,357,494	1,105	1,358,599
Inventory	9,860	12,183	22,043
Investments	42,294	-	42,294
Prepaid items	10,609	-	10,609
Total assets	<u>\$ 4,527,832</u>	<u>\$ 953,644</u>	<u>\$ 5,481,476</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 146,513	\$ 8,893	\$ 155,406
State aid anticipation note payable	2,500,000	-	2,500,000
Due to other funds	21,388	30,696	52,084
Payroll deductions and withholdings	231,331	-	231,331
Accrued salaries payable	596,957	11,237	608,194
Deferred revenue	1,029	316	1,345
Total liabilities	<u>3,497,218</u>	<u>51,142</u>	<u>3,548,360</u>
Fund Balance			
Reserved for inventory	9,860	12,183	22,043
Reserved for prepaid items	10,609	-	10,609
Reserved for debt service	-	583,890	583,890
Reserved for capital projects	-	296,309	296,309
Other undesignated	1,010,145	10,120	1,020,265
Total fund balance	<u>1,030,614</u>	<u>902,502</u>	<u>1,933,116</u>
 Total liabilities and fund balance	 <u>\$ 4,527,832</u>	 <u>\$ 953,644</u>	 <u>\$ 5,481,476</u>

See Accompanying Notes to Financial Statements

Cassopolis Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2006

Total fund balances for governmental funds	\$ 1,933,116
Total net assets for governmental activities in the statement of net assets is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Property taxes	316
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	141,420
Capital assets - net of accumulated depreciation	9,495,530
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(25,785)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(858,527)
Bonds payable	(6,018,603)
Other loans payable and liabilities	<u>(461,844)</u>
Net assets of governmental activities	<u>\$ 4,205,623</u>

Cassopolis Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2006

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Local sources	\$ 2,538,822	\$ 1,265,610	\$ 3,804,432
State sources	7,471,397	82,109	7,553,506
Federal sources	638,346	221,306	859,652
Other sources	30,304	-	30,304
	<u> </u>	<u> </u>	<u> </u>
Total revenues	10,678,869	1,569,025	12,247,894
	<u> </u>	<u> </u>	<u> </u>
Expenditures			
Current			
Education			
Instruction	5,730,663	-	5,730,663
Supporting services	4,699,269	-	4,699,269
Food services	-	382,389	382,389
Athletic activities	-	290,425	290,425
Bookstore activities	-	4,878	4,878
Intergovernmental payments	27,789	-	27,789
Capital outlay	174,905	79,252	254,157
Debt service			
Principal	55,940	696,126	752,066
Interest and other expenditures	-	201,997	201,997
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	10,688,566	1,655,067	12,343,633
	<u> </u>	<u> </u>	<u> </u>
Deficiency of revenues over expenditures	(9,697)	(86,042)	(95,739)
	<u> </u>	<u> </u>	<u> </u>

Cassopolis Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2006

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)			
Proceeds from bus installment purchase agreement	\$ 176,700	\$ -	\$ 176,700
Proceeds from sale of capital assets	17,291	-	17,291
Transfers in	-	379,941	379,941
Transfers out	<u>(260,042)</u>	<u>(119,899)</u>	<u>(379,941)</u>
 Total other financing sources (uses)	 <u>(66,051)</u>	 <u>260,042</u>	 <u>193,991</u>
 Net change in fund balance	 (75,748)	 174,000	 98,252
 Fund balance - beginning	 <u>1,106,362</u>	 <u>728,502</u>	 <u>1,834,864</u>
 Fund balance - ending	 <u><u>\$ 1,030,614</u></u>	 <u><u>\$ 902,502</u></u>	 <u><u>\$ 1,933,116</u></u>

See Accompanying Notes to Financial Statements

Cassopolis Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - Total governmental funds	\$ 98,252
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	(4,182)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(540,207)
Capital outlay	297,517
Expenses are recorded when incurred in the statement of activities.	
Interest	4,367
Early retirement incentives	(227,264)
Compensated absences	125,437
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Bus installment purchase agreement	(176,700)
Repayments of long-term debt	<u>752,066</u>
Change in net assets of governmental activities	<u>\$ 329,286</u>

Cassopolis Public Schools
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2006

	<u>Agency Funds</u>
Assets	
Cash	\$ <u>176,397</u>
Liabilities	
Due to other governmental units	\$ 1,106
Due to agency fund activities	<u>175,291</u>
 Total liabilities	 \$ <u>176,397</u>

See Accompanying Notes to Financial Statements

Cassopolis Public Schools
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cassopolis Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted

net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough

Cassopolis Public Schools
Notes to Financial Statements
June 30, 2006

thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and Athletic Funds. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Fund – The Building and Site Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Sinking Fund – The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically designated for acquiring new school sites, construction or repair of school buildings.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other receivable are shown net of an allowance for uncollectible amounts.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2006, the rates are as follows per \$1,000 of assessed value.

Cassopolis Public Schools
Notes to Financial Statements
June 30, 2006

General Fund	
Nonhomestead	18.00000
Debt Service Funds	
Homestead	2.70000
Nonhomestead	2.70000
Sinking Fund	
Homestead	0.90000
Nonhomestead	0.90000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Investments – Investments are stated at fair value.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have

infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Compensated Absences – Employees earn sick days at a rate determined by their contract. A limited number of unused sick days may be accumulated by an employee. Retiring employees who meet certain age and years-of-service requirements are paid for accumulated sick days to a maximum number of days and at a rate determined by their job category. There is no contractual provision for payment of unused vacation days. They may be used for vacation only.

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments, and other employees who currently are expected to become eligible in the future to receive such payments upon termination, are included.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Cassopolis Public Schools
Notes to Financial Statements
June 30, 2006

Comparative Data

Comparative data is not included in the School District's financial statements.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Upcoming Accounting and Reporting Change

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides guidance for school districts in recognizing the cost of retiree health care. The new rules will cause district-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

NOTE 2 - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancel all

encumbrances. These appropriations are reestablished at the beginning of the year.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Cassopolis Public Schools
Notes to Financial Statements
June 30, 2006

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Added needs			
Special education	\$ 521,989	\$ 545,419	\$ 23,430
Alternative education	142,497	184,002	41,505
Supporting services - pupil			
Staff			
Media services	132,652	162,320	29,668
General administration			
Principals	675,188	740,343	65,155
Business services			
Fiscal	408,743	514,704	105,961

Compliance Sinking Funds

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

NOTE 3 - DEPOSITS AND INVESTMENTS

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 3,923,799	\$ 176,397	\$ 4,100,196
Investments	42,294	-	42,294
	<u>\$ 3,966,093</u>	<u>\$ 176,397</u>	<u>\$ 4,142,490</u>
The breakdown between deposits and investments for the School District is as follows:			
Deposits (checking, savings accounts, money markets, certificates of deposit)			\$ 4,096,946
Investments in mutual funds			42,294
Petty cash and cash on hand			<u>3,250</u>
Total			<u>\$ 4,142,490</u>

Interest rate risk – In accordance with its investment policy, the District manages its exposure to declines in fair values by considering the duration to maturity of its investment portfolio.

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Cassopolis Public Schools
Notes to Financial Statements
June 30, 2006

Concentration of credit risk – The District's investment policy does not allow for an investment in any one issuer that is in excess of fifty percent (50%) of the District's total investments.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$ 4,368,683 of the District's bank balance of \$ 4,596,343 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

NOTE 4 - CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 141,420	\$ -	\$ -	\$ 141,420
Capital assets being depreciated				
Buildings and additions	13,251,697	-	-	13,251,697
Site improvements	1,572,855	58,924	-	1,631,779
Equipment and furniture	698,157	39,934	-	738,091
Buses and other vehicles	<u>1,213,042</u>	<u>198,659</u>	<u>188,099</u>	<u>1,223,602</u>
Total capital assets being depreciated	<u>16,735,751</u>	<u>297,517</u>	<u>188,099</u>	<u>16,845,169</u>
Less accumulated depreciation for				
Buildings and additions	5,150,270	291,598	-	5,441,868
Site improvements	368,019	71,290	-	439,309
Equipment and furniture	538,420	49,144	-	587,564
Buses and other vehicles	<u>940,822</u>	<u>128,175</u>	<u>188,099</u>	<u>880,898</u>
Total accumulated depreciation	<u>6,997,531</u>	<u>540,207</u>	<u>188,099</u>	<u>7,349,639</u>
Net capital assets being depreciated	<u>9,738,220</u>	<u>(242,690)</u>	<u>-</u>	<u>9,495,530</u>
Net capital assets	<u>\$ 9,879,640</u>	<u>\$ (242,690)</u>	<u>\$ -</u>	<u>\$ 9,636,950</u>

Cassopolis Public Schools
Notes to Financial Statements
June 30, 2006

Depreciation for the year amounted to \$540,207. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - INTERFUND RECEIVABLE, PAYABLE, TRANSFERS

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General Fund	Food Service Fund	\$ 21,388
Trust and Agency Fund	Special Revenue	1,106
Debt Service Fund	Capital Projects Fund	<u>30,696</u>
		<u>\$ 53,190</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Other Governmental Funds	Total
Transfers in			
Other governmental funds	<u>260,042</u>	<u>119,899</u>	<u>\$ 379,941</u>
	<u>\$ 260,042</u>	<u>\$ 119,899</u>	<u>\$ 379,941</u>

These transfers were made to cover the costs of School District programs that were in excess of revenues generated from those activities.

NOTE 6 - STATE AID ANTICIPATION NOTE

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	<u>\$ 2,843,838</u>	<u>\$ 2,500,000</u>	<u>\$ 2,843,838</u>	<u>\$ 2,500,000</u>

Cassopolis Public Schools
Notes to Financial Statements
June 30, 2006

NOTE 7 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 6,600,000	\$ -	\$ 655,000	\$ 5,945,000	\$ 685,000
Other bonds	114,729	-	41,126	73,603	9,104
Bus installment agreements	113,820	176,700	55,940	234,580	64,280
Compensated absences	983,964	-	125,437	858,527	-
Retirement incentives	-	227,264	-	227,264	78,480
Total	<u>\$ 7,812,513</u>	<u>\$ 403,964</u>	<u>\$ 877,503</u>	<u>\$ 7,338,974</u>	<u>\$ 836,864</u>

General obligation bonds payable at year end, consists of the following:

\$5,345,000 serial bond due in annual installments of \$710,000 to \$805,000 through May 1, 2010, interest at 4.10% to 4.25%	\$ 3,715,000
\$2,230,000 qualified zone academy bond due in one installment on May 22, 2018, interest at 0%	<u>2,230,000</u>
Total general obligation bonded debt	<u>\$ 5,945,000</u>

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2007	\$ 685,000	\$ 154,712	\$ 839,712
2008	710,000	126,970	836,970
2009	740,000	97,860	837,860
2010	775,000	67,150	842,150
2011	805,000	34,212	839,212
2012-2016	-	-	-
2017-2021	<u>2,230,000</u>	<u>-</u>	<u>2,230,000</u>
Total	<u>\$ 5,945,000</u>	<u>\$ 480,904</u>	<u>\$ 6,425,904</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$583,890 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$179,584 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.76% due annually	<u>\$ 73,603</u>
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These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Cassopolis Public Schools
Notes to Financial Statements
June 30, 2006

Future principal and interest requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 9,104	\$ 3,505	\$ 12,609
2008	9,540	3,071	12,611
2009	9,994	2,617	12,611
2010	10,470	2,141	12,611
2011	10,968	1,642	12,610
2012 - 2015	<u>23,527</u>	<u>1,694</u>	<u>25,221</u>
Total	<u>\$ 73,603</u>	<u>\$ 14,670</u>	<u>\$ 88,273</u>

Compensated Absences

Accrued compensated absences at year end, consists of \$26,430 of vacation hours earned and vested and \$832,097 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Retirement Benefits

The School District offered a voluntary severance incentive plan to employees to be paid over a three year period through 2009. The balance as of year end was \$227,264.

Future payments are as follows:

Year Ending June 30,	
2007	\$ 78,480
2008	74,392
2009	<u>74,392</u>
Total	<u>\$ 227,264</u>

Interest expenditures for the fiscal year in the General Fund and Debt Service Funds were \$76,341 and \$199,298, respectively.

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District participates in a public entity risk pool through the MASB-SEG Property/Casualty Pool. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. The District pays premiums based on levels of coverage believed to be appropriate by the administration, subject to varying deductibles. Participants are subject to additional assessments in the even of deficiencies and may receive distributions of funds that are in excess of the amount necessary to maintain prudent loss revenues. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements.

The School District is also a member of SEG Self-Insured Workers' Disability Compensation Fund. Premiums from participants are combined to provide all members with coverage for claims. The premiums are used to process and pay claims and to obtain excess liability coverage and reinsurance to cover the liability of the Workers' Disability Compensation Fund.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the

Cassopolis Public Schools
Notes to Financial Statements
June 30, 2006

School District. The School District had no unemployment compensation expense for the year. No provision has been made for possible future claims.

NOTE 9 - DEFINED BENEFIT PENSION PLAN

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPERS), which is a cost-sharing public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or calling 800-381-5111.

Funding Policy

The School is required by State statute to contribute to MPERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPERS funding for the three-year period beginning July 1, 2003 through June 30, 2006.

	2006	2005	2004
Funding percentage range	14.87-16.34%	12.99-14.87%	12.99%
Total payroll	6,343,897	6,433,503	6,522,164
Total covered payroll	6,033,818	6,172,279	6,281,283
School contributions	965,572	890,214	815,934
Employee MIP contributions	174,337	178,483	166,450
Portion of school contribution covering health, dental and vision benefits	44%	47%	47%

Trend Information

Ten-year historical trend information is presented in the September 30, 2005, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2004, the latest date for which information is available, approximates \$ 46.3 billion and \$ 38.8 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPERS was less than 1% for the year ended September 30, 2005.

Post Employment Benefits

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPERS).

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2005, statewide expenditures of \$ 761 million were recognized for post-retirement health care, dental and vision. This represented

Cassopolis Public Schools
Notes to Financial Statements
June 30, 2006

approximately 23% of the total expenditures of the Michigan Public School Employees Retirement System.

NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2006.

REQUIRED SUPPLEMENTAL INFORMATION

Cassopolis Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 2,443,125	\$ 2,509,404	\$ 2,538,822	\$ 29,418
State sources	7,275,690	7,449,920	7,471,397	21,477
Federal sources	665,850	638,464	638,346	(118)
Other sources	24,000	24,469	30,304	5,835
Total revenues	10,408,665	10,622,257	10,678,869	56,612
Expenditures				
Instruction				
Basic instruction				
Elementary	2,436,242	2,474,292	2,442,582	(31,710)
Secondary	1,697,073	1,712,017	1,729,190	17,173
Pre-School	103,933	135,500	146,838	11,338
Total Basic instruction	4,237,248	4,321,809	4,318,610	(3,199)
Added needs				
Special education	499,864	521,989	545,419	23,430
Compensatory education	348,786	294,601	278,788	(15,813)
Vocational education	259,097	268,149	245,791	(22,358)
Adult education	150,800	174,234	158,053	(16,181)
Alternative education	202,305	142,497	184,002	41,505
Total Added needs	1,460,852	1,401,470	1,412,053	10,583
Supporting services - pupil				
Pupil				
Guidance	111,356	112,349	107,760	(4,589)
Health	2,200	1,200	1,165	(35)
Speech	83,004	83,596	83,305	(291)
Social work	125,726	145,790	143,825	(1,965)
Extra duty and other pupil	282,746	211,243	213,689	2,446
Total pupil	605,032	554,178	549,744	(4,434)

Cassopolis Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Staff				
Staff improvement	14,919	30,221	26,827	(3,394)
Media services	131,118	132,652	162,320	29,668
Directors & supervisors	207,813	285,115	235,831	(49,284)
Academic student assessment	-	18,964	18,964	-
Other staff services	8,900	1,470	1,470	-
Total staff	<u>362,750</u>	<u>468,422</u>	<u>445,412</u>	<u>(23,010)</u>
General administration				
Board of education	91,800	112,530	106,923	(5,607)
Executive administration	240,651	247,546	141,115	(106,431)
Principals	730,245	675,188	740,343	65,155
Total general administration	<u>1,062,696</u>	<u>1,035,264</u>	<u>988,381</u>	<u>(46,883)</u>
Business services				
Fiscal	374,418	408,743	514,704	105,961
Other business - interest/taxes	60,000	129,252	129,215	(37)
Operations & maintenance	1,151,566	1,199,447	1,214,784	15,337
Security services	-	5,275	5,275	-
Transportation	680,775	756,157	720,425	(35,732)
Information management services	222,488	137,109	131,329	(5,780)
Total business services	<u>2,489,247</u>	<u>2,635,983</u>	<u>2,715,732</u>	<u>79,749</u>
Other				
Intergovernmental payments	30,000	28,000	27,789	(211)
Bus purchase installments	55,940	55,940	55,940	-
Capital outlay	-	176,700	174,905	(1,795)
Total other	<u>85,940</u>	<u>260,640</u>	<u>258,634</u>	<u>(2,006)</u>
 Total expenditures	 <u>10,303,765</u>	 <u>10,677,766</u>	 <u>10,688,566</u>	 <u>10,800</u>
 Excess (deficiency) of revenues over expenditures	 <u>\$ 104,900</u>	 <u>\$ (55,509)</u>	 <u>\$ (9,697)</u>	 <u>\$ 45,812</u>

Cassopolis Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other Financing Sources (Uses)				
Proceeds from bus installment purchase agreement	-	176,700	176,700	-
Proceeds from sale of capital assets	-	17,291	17,291	-
Transfers out	<u>(255,000)</u>	<u>(285,000)</u>	<u>(260,042)</u>	<u>24,958</u>
Total other financing sources (uses)	<u>(255,000)</u>	<u>(91,009)</u>	<u>(66,051)</u>	<u>24,958</u>
Net change in fund balance	(150,100)	(146,518)	(75,748)	70,770
Fund balance - beginning	<u>1,106,362</u>	<u>1,106,362</u>	<u>1,106,362</u>	<u>-</u>
Fund balance - ending	<u>\$ 956,262</u>	<u>\$ 959,844</u>	<u>\$ 1,030,614</u>	<u>\$ 70,770</u>

OTHER SUPPLEMENTAL INFORMATION

Cassopolis Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2006

	Special Revenue Funds			Debt Service Funds		Capital Projects Fund			Total Nonmajor Governmental Funds
	Food Service	Athletics	Bookstore	Debt Retirement	QZAB	Building & Site	QZAB	Sinking	
Assets									
Cash	\$ -	\$ 4,759	\$ -	\$ 243,020	\$ 371,566	\$ 3,260	\$ 1,533	\$ 260,820	\$ 884,958
Taxes receivable	-	-	-	316	-	-	-	-	316
Accounts receivable	2,998	-	-	-	-	-	-	-	2,998
Due from other funds	21,388	-	-	-	-	-	-	30,696	52,084
Due from other governmental units	-	-	1,105	-	-	-	-	-	1,105
Inventory	12,183	-	-	-	-	-	-	-	12,183
Total assets	<u>\$36,569</u>	<u>\$ 4,759</u>	<u>\$ 1,105</u>	<u>\$ 243,336</u>	<u>\$ 371,566</u>	<u>\$ 3,260</u>	<u>\$ 1,533</u>	<u>\$ 291,516</u>	<u>\$ 953,644</u>
Liabilities and Fund Balance									
Liabilities									
Accounts payable	\$ 8,893	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,893
Due to other funds	-	-	-	30,696	-	-	-	-	30,696
Accrued salaries payable	11,237	-	-	-	-	-	-	-	11,237
Deferred revenue	-	-	-	316	-	-	-	-	316
Total liabilities	<u>20,130</u>	<u>-</u>	<u>-</u>	<u>31,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,142</u>
Fund Balance									
Reserved for inventory	12,183	-	-	-	-	-	-	-	12,183
Reserved for debt service	-	-	-	212,324	371,566	-	-	-	583,890
Reserved for capital projects	-	-	-	-	-	3,260	1,533	291,516	296,309
Other undesignated	4,256	4,759	1,105	-	-	-	-	-	10,120
Total fund balance	<u>16,439</u>	<u>4,759</u>	<u>1,105</u>	<u>212,324</u>	<u>371,566</u>	<u>3,260</u>	<u>1,533</u>	<u>291,516</u>	<u>902,502</u>
 Total liabilities and fund balance	<u>\$36,569</u>	<u>\$ 4,759</u>	<u>\$ 1,105</u>	<u>\$ 243,336</u>	<u>\$ 371,566</u>	<u>\$ 3,260</u>	<u>\$ 1,533</u>	<u>\$ 291,516</u>	<u>\$ 953,644</u>

Cassopolis Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2006

	Special Revenue Funds			Debt Service Funds		Capital Projects Funds			Total Nonmajor Governmental Funds
	Food Service	Athletics	Bookstore	Debt Retirement	QZAB	Building & Site	QZAB	Sinking	
Revenues									
Local sources	\$ 117,909	\$ 38,143	\$ 4,395	\$ 821,003	\$ 9,722	\$ 153	\$ -	\$ 274,285	\$ 1,265,610
State sources	22,598	-	-	59,511	-	-	-	-	82,109
Federal sources	221,306	-	-	-	-	-	-	-	221,306
Total revenues	<u>361,813</u>	<u>38,143</u>	<u>4,395</u>	<u>880,514</u>	<u>9,722</u>	<u>153</u>	<u>-</u>	<u>274,285</u>	<u>1,569,025</u>
Expenditures									
Current									
Food services	382,389	-	-	-	-	-	-	-	382,389
Athletic activities	-	290,425	-	-	-	-	-	-	290,425
Bookstore activities	-	-	4,878	-	-	-	-	-	4,878
Capital outlay	7,640	8,939	-	-	-	-	-	62,673	79,252
Debt service									
Principal	-	-	-	696,126	-	-	-	-	696,126
Interest and other expenditures	-	-	-	201,997	-	-	-	-	201,997
Total expenditures	<u>390,029</u>	<u>299,364</u>	<u>4,878</u>	<u>898,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,673</u>	<u>1,655,067</u>
Excess (deficiency) of revenues over expenditures	<u>(28,216)</u>	<u>(261,221)</u>	<u>(483)</u>	<u>(17,609)</u>	<u>9,722</u>	<u>153</u>	<u>-</u>	<u>211,612</u>	<u>(86,042)</u>
Other Financing Sources (Uses)									
Transfers in	-	260,042	-	-	119,899	-	-	-	379,941
Transfers out	-	-	-	-	-	-	-	(119,899)	(119,899)
Total other financing sources (uses)	<u>-</u>	<u>260,042</u>	<u>-</u>	<u>-</u>	<u>119,899</u>	<u>-</u>	<u>-</u>	<u>(119,899)</u>	<u>260,042</u>
Net change in fund balance	(28,216)	(1,179)	(483)	(17,609)	129,621	153	-	91,713	174,000
Fund balance - beginning	<u>44,655</u>	<u>5,938</u>	<u>1,588</u>	<u>229,933</u>	<u>241,945</u>	<u>3,107</u>	<u>1,533</u>	<u>199,803</u>	<u>728,502</u>
Fund balance - ending	<u>\$ 16,439</u>	<u>\$ 4,759</u>	<u>\$ 1,105</u>	<u>\$ 212,324</u>	<u>\$ 371,566</u>	<u>\$ 3,260</u>	<u>\$ 1,533</u>	<u>\$ 291,516</u>	<u>\$ 902,502</u>

Cassopolis Public Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2006

Year Ending June 30,	1999 Debt Principal	2003 Debt Principal	Durant Principal	Total
2007	\$ 685,000	\$ -	\$ 9,104	\$ 694,104
2008	710,000	-	9,540	719,540
2009	740,000	-	9,994	749,994
2010	775,000	-	10,470	785,470
2011	805,000	-	10,968	815,968
2012	-	-	11,490	11,490
2013	-	-	12,037	12,037
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	2,230,000	-	2,230,000
Total	\$ 3,715,000	\$ 2,230,000	\$ 73,603	\$ 6,018,603

Principal payments	May 1	May 22	May 15
Interest payments due the first day of	May 1 and November 1		May 15
Interest rate	4.10% - 4.25%	0%	4.76%
Original issue	\$ 5,345,000	\$ 2,230,000	\$ 179,584

Cassopolis Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2006

	Due to (From) Student Groups June 30, 2005	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2006
Agency Funds	<u>\$ 209,009</u>	<u>\$ 240,992</u>	<u>\$ 274,710</u>	<u>\$ 175,291</u>

**Cassopolis Public Schools
Cassopolis, Michigan**

Single Audit Compliance

June 30, 2006

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**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Members of the Board of Education
Cassopolis Public Schools
Cassopolis, Michigan

We have audited the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Cassopolis Public Schools, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Cassopolis Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cassopolis Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Cassopolis Public Schools, in a separate letter dated September 21, 2006.

This report is intended solely for the information and use of the Board of Education, management, Michigan Department of Education and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
September 21, 2006

Report on Compliance Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Education
Cassopolis Public Schools
Cassopolis, Michigan

Compliance

We have audited the compliance of Cassopolis Public Schools, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2006. Cassopolis Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Cassopolis Public Schools' management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cassopolis Public Schools, 's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis of our opinion. Our audit does not provide a legal determination on Cassopolis Public Schools, 's compliance with those requirements.

In our opinion, Cassopolis Public Schools, complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Cassopolis Public Schools, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Cassopolis Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Cassopolis Public Schools, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 21, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Cassopolis Public Schools' basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
September 21, 2006

Cassopolis Public Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	(Deferred) Revenue July 1, 2005	Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	(Deferred) Revenue June 30, 2006
U.S. Department of Agriculture								
* Food Distributed								
Commodities - entitlement	10.550	05/06	\$ 10,401	\$ -	\$ -	\$ 10,401	\$ 10,401	\$ -
Commodities - bonus	10.550	05/06	4,960	-	-	4,960	4,960	-
			<u>15,361</u>	<u>-</u>	<u>-</u>	<u>15,361</u>	<u>15,361</u>	<u>-</u>
* Nutrition Cluster								
National School Lunch								
Breakfast	10.553	051970	49,363	-	43,866	5,497	5,497	-
		061970	48,817	-	-	48,817	48,817	-
			<u>98,180</u>	<u>-</u>	<u>43,866</u>	<u>54,314</u>	<u>54,314</u>	<u>-</u>
Section 4 - All lunches	10.555	051950	23,568	-	20,328	3,240	3,240	-
		061950	18,923	-	-	18,923	18,923	-
Section 11 - Free and	10.555	051960	144,844	-	126,827	18,017	18,017	-
Reduced		061960	111,018	-	-	111,018	111,018	-
			<u>298,353</u>	<u>-</u>	<u>147,155</u>	<u>151,198</u>	<u>151,198</u>	<u>-</u>
Special milk	10.556	051940	457	-	389	68	68	-
		061940	365	-	-	365	365	-
			<u>822</u>	<u>-</u>	<u>389</u>	<u>433</u>	<u>433</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>412,716</u>	<u>-</u>	<u>191,410</u>	<u>221,306</u>	<u>221,306</u>	<u>-</u>

Cassopolis Public Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	(Deferred) Revenue July 1, 2005	Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	(Deferred) Revenue June 30, 2006
U.S. Department of Education								
* Title I - Part A	84.010	041530/0304	\$ 541,756	\$ -	\$ 541,756	\$ -	\$ -	\$ -
		051530/0405	493,701	52,655	-	-	52,655	-
		061530/0506	454,887	-	-	454,887	443,037	11,850
			<u>1,490,344</u>	<u>52,655</u>	<u>541,756</u>	<u>454,887</u>	<u>495,692</u>	<u>11,850</u>
** CTE Perkins	84.048	063520/601219	799	-	965	799	799	-
** Entrepreneurship Current Development	84.048A	650W0201	2,973	-	-	2,973	2,973	-
** Safe/Drug Free School	84.184L	S184L020057	19,837	26,641	-	19,837	46,478	-
* Title V, LEA Allocation	84.298	060250/0506	5,249	-	-	5,249	5,249	-
* Technical Literacy Challenge Grant	84.318	064290/0506	8,486	-	-	8,486	8,486	-
* Title II, Improving Teacher Quality	84.367	040520/0304	135,671	3,952	-	-	3,952	-
		050520/0405	135,210	20,802	135,210	-	20,802	-
		060520/0506	132,755	-	-	132,755	132,755	-
			<u>403,636</u>	<u>24,754</u>	<u>135,210</u>	<u>132,755</u>	<u>157,509</u>	<u>-</u>
Total U.S. Department of Education			<u>1,931,324</u>	<u>104,050</u>	<u>677,931</u>	<u>624,986</u>	<u>717,186</u>	<u>11,850</u>
U.S. Department of Health and Human Services								
** Medicaid Outreach	93.778	2006	8,085	-	-	8,085	8,085	-
U.S. Department of Homeland Security								
* Homeland Security Grant	97.004		5,275	-	-	5,275	5,275	-
Total federal revenues			<u>\$ 2,357,400</u>	<u>\$ 104,050</u>	<u>\$ 869,341</u>	<u>\$ 859,652</u>	<u>\$ 951,852</u>	<u>\$ 11,850</u>

* Passed through Michigan Department of Education

** Passed through Intermediate School District

Cassopolis Public Schools
Cass County District No. 30
Notes to Schedule of Expenditures of Federal Awards
June 30, 2006

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2006.
3. The federal amounts reported on the Form R-7120 "Grant Sections Auditors Report" are in agreement with the Schedule of Expenditures of Federal Awards.
4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.

Cassopolis Public Schools
Cass County District No. 30
Schedule of Findings and Questioned Costs
June 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not
considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not
considered to be material weaknesses ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a)
of Circular A-133? ☐ Yes ☒ No

Cassopolis Public Schools
Cass County District No. 30
Schedule of Findings and Questioned Costs
June 30, 2006

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.010

Title I, Part A

Dollar threshold used to distinguish between
type A and type B programs:

\$ 300,000

Auditee qualified as a low-risk auditee?

 X Yes No

Cassopolis Public Schools
Cass County District No. 30
Schedule of Findings and Questioned Costs
June 30, 2006

Section II – Financial Statement Findings:

There were no findings noted.

Section III – Federal Award Findings and Questioned Costs:

There were no findings or questioned costs noted.

Cassopolis Public Schools
Cass County District No. 30
Auditors' Comments on Audit Resolution Matters Related to Federal Awards
June 30, 2006

There were no findings or questioned costs noted for 2006.



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September 21, 2006

Board of Education
Cassopolis Public Schools
Cassopolis, Michigan 49031

We have audited the financial statements of Cassopolis Public Schools for the year ended June 30, 2006, and have issued our report thereon dated September 21, 2006. As part of our audit, we made a study and evaluation of the system of internal accounting control of Cassopolis Public Schools to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America and the standards for financial audits contained in the "Government Auditing Standards" issued by the Comptroller General of the United States. Accordingly, we do not express an opinion on the system of internal accounting control taken as a whole. However, our study and evaluation disclosed no conditions that we believe to be a material weakness.

As a result of the aforementioned study, certain matters did come to our attention upon which we would like to comment and offer our recommendations:

PRIOR YEAR COMMENTS FOLLOW-UP

We are pleased to note that the District has strengthened controls over the ticket sales in the athletic events. We realize that there is a cost – benefit relationship that the District must address when implementing new procedures but the improvements made are evidence that District management values the importance of strong internal controls.

In addition, the District has implemented a form to reconcile ticket sales against cash collected. With the school's resource officer checking to make sure the procedures are being followed. Deposits are done regularly.

Lastly, the District has placed cash coming into the school into a tampered proof bag which is then placed in a safe. Deposits are taken to the bank regularly by school officers. This control has been stressed strongly to all administration, advisors, and staff that the safe must be locked at all times and deposits made timely.

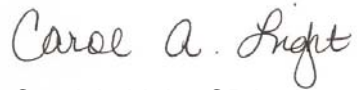
CURRENT YEAR COMMENT

This report is intended solely for the use of management and should not be used for any other purpose.

Our firm appreciates the opportunity to serve Cassopolis Public Schools and would like to thank the administration and staff for their cooperation and assistance.

Should you have any questions, please do not hesitate to contact our office.

Respectfully,

A handwritten signature in cursive script that reads "Carol A. Light".

Carol A. Light, CPA
Yeo & Yeo, P.C.